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GENERAL CRUDE OIL COMPANY

ANNUAL REPORT FOR 1973





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**GENERAL CRUDE OIL COMPANY
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General Crude Oil Company is an independent producer in the petroleum industry. Most of its production comes from fields in Texas, Louisiana, California and offshore in the Gulf of Mexico. Exploration for crude oil, natural gas and other minerals is currently being conducted in the United States, Canada and other parts of the world. The Company is also engaged in agricultural operations on certain of its properties near Houston.

The present organization grew out of a partnership which was created in 1921. The Company was incorporated later and its present name was adopted in 1933. GCO is headquartered in Houston and employs 367 persons.

What's Inside

Higher crude oil prices will provide funds for expanding the Company's search for new supplies of energy.

— See page three —

GCO participated in 32 wildcat wells and expended \$17.7 million for exploration in 1973.

— See page five —

Proceeds from liquid hydrocarbons and natural gas amounted to \$48.4 million in 1973, an improvement of 17 percent over 1972.

— See page eleven —

Agricultural activities were increased during 1973 as a result of the acquisition of another company.

— See page fifteen —

New employees have been added as the result of expanded activities in exploration, production and agriculture.

— See page seventeen —

Gross income, net earnings and capital outlays were at record levels in 1973.

— See page nineteen —



Highlights

	1973	1972	Change
GROSS INCOME			
Millions	\$54.2	\$42.9	+26%
NET EARNINGS			
Millions	\$17.0	\$14.2	+20%
Per share	\$1.75	\$1.46	+20%
Per dollar of gross income	\$.31	\$.33	- 6%
Per dollar of shareowners' equity	\$.21	\$.21	—
CAPITAL EXPENDITURES — millions	\$40.0	\$20.4	+96%
LIQUID HYDROCARBON PRODUCTION			
Total net barrels — thousands	10,544	10,587	—
Net barrels per day	28,900	28,900	—
NATURAL GAS PRODUCTION			
Total net cubic feet — millions	27,000	26,400	+2%
Net cubic feet per day — thousands	74,100	72,200	+2%



To Shareowners and Employees

Most of the 1973 financial results which are highlighted on the opposite page are new records for General Crude Oil Company. A large part of the improvement is attributable to higher prices for liquid hydrocarbons and natural gas. These price increases were long overdue for the domestic producing industry and were underway before the outbreak of war in the Middle East. However, curtailment of producing rates by the Arab nations, embargoes on shipments to the United States, and price increases by members of OPEC and other producing countries have exerted additional upward pressure on domestic price levels. As a result, prices for domestic supplies have risen to the extent permitted by governmental controls.

It is now clear to most officials in government and members of the public that the crude oil shortage is global in nature, and the continuing viability of our national economy will require further sacrifices by all of us. Once the energy shortage became apparent, many persons began to question how it came about and why the government and the public were not warned that such a condition was forthcoming. In truth, there have been frequent warnings over a long period of time, but these were dismissed without much serious consideration. The gravity of the problem was told as early as 1952 when the findings of the Paley Commission were revealed. This commission was appointed by the President to study the long-range outlook for supply and demand of energy, and its findings at that time were an accurate prediction of the conditions we are experiencing today.

It is not my intention, however, to dwell on the past, but rather to focus on ways to work ourselves out of this dilemma. Development of alternative energy sources should, of course, be pursued vigorously by both government and industry, and domestic exploration efforts should be intensified. It is in the latter area that General Crude Oil Company is best equipped to help solve this problem. It is our intention to expand our capa-

bilities in order that we might reinvest substantially all of the proceeds from higher sales prices in the search for and development of crude oil and natural gas supplies. This, naturally, will take time, but we are making progress toward this goal and I am confident that it can be successfully achieved.

The beneficial effect of higher crude oil and natural gas prices is already being reflected by greater domestic exploration activity. It is certain that a continuation of this trend will result in a substantial improvement of our nation's energy supplies. It is also certain that the cost of finding and developing domestic reserves will be high in comparison with certain areas of the world, but the cost should be reasonable when compared with the alternative price we would pay for increased dependence on foreign sources.

The failure to recognize that domestic supplies which we are consuming today are being replaced at substantially higher costs has led to much misunderstanding of profits reported by the producing segment of our industry. If the American economy is to prosper, it must be realized that crude oil and natural gas should be priced at a level that will encourage producers to continue replacing and adding to their reserves. I am confident that this fact is now understood by a majority of the people, and we are finally on the road to solving the energy crisis in the United States.

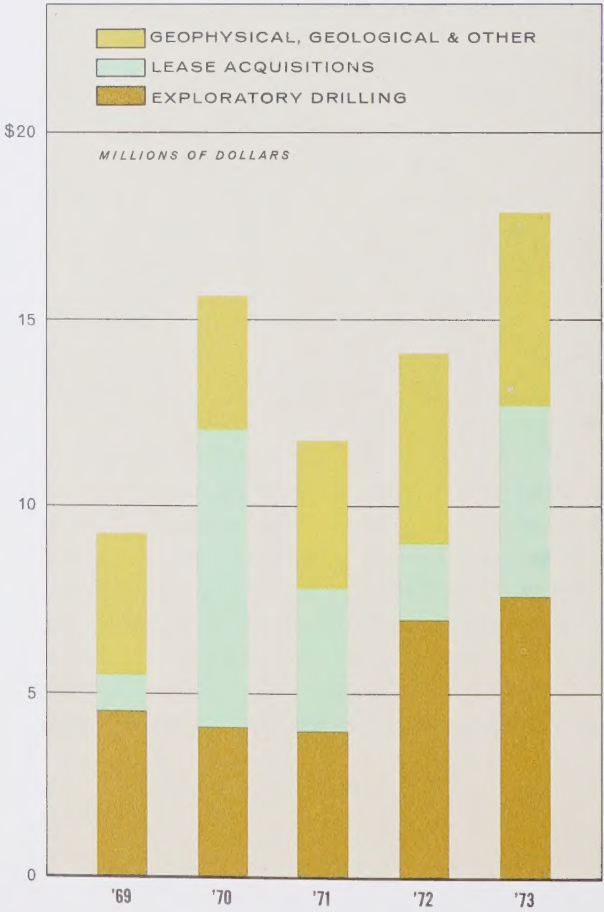
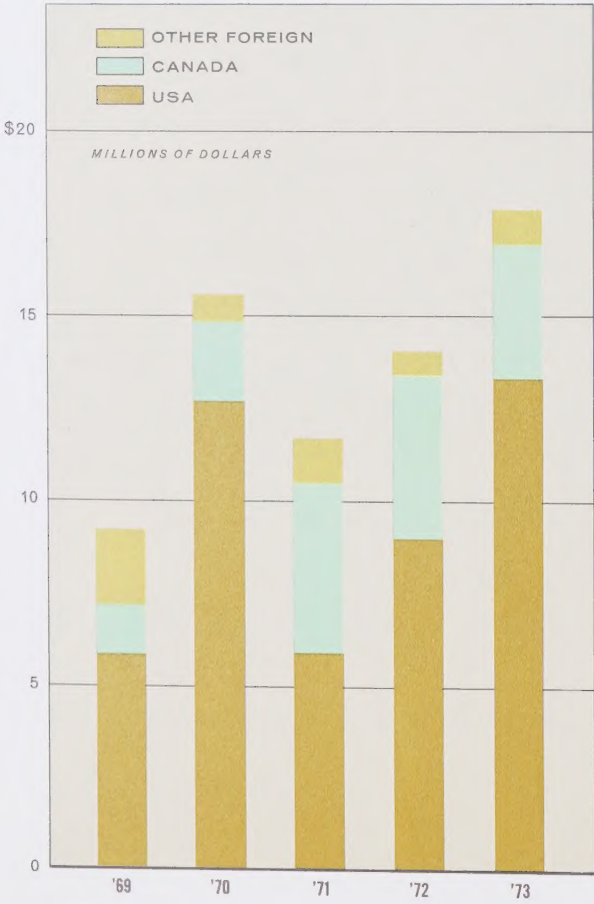
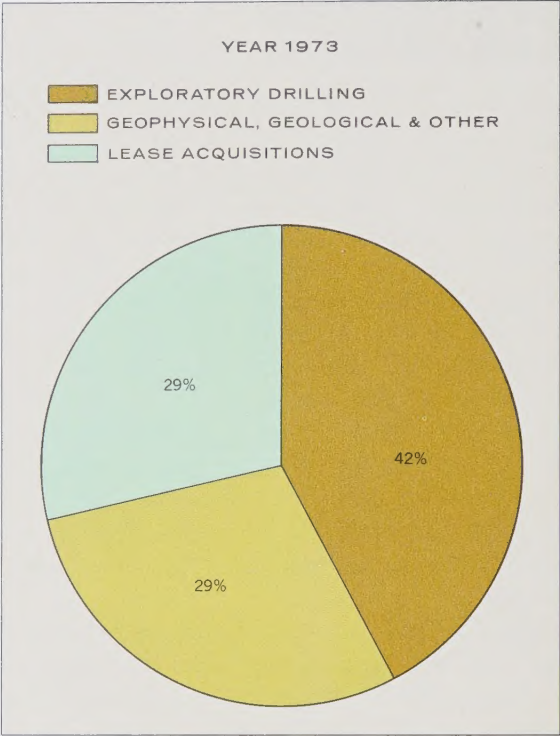
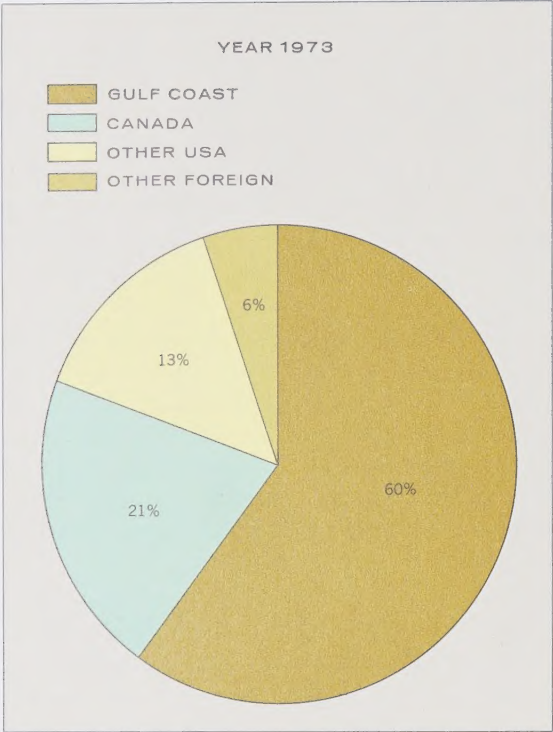
On the following pages of this report, you will find a detailed review of our operations during 1973. If you will take time to read this material, you should have a good understanding of the Company's accomplishments during the past year and its objectives for the future. You are encouraged to write if you have questions or, better still, visit us the next time you are in Houston.

A handwritten signature in dark ink, reading "K. E. Montague". The signature is fluid and cursive, with a long, sweeping underline.

K. E. MONTAGUE
President

February 11, 1974

EXPLORATION EXPENDITURES



Exploration

General Crude Oil Company expended \$17.7 million for exploration in 1973. This was an increase of 27 percent over the previous year and was the highest level in the Company's history. Another substantial increase has been budgeted for this year.

During the past year General Crude participated in drilling 32 exploratory wells, resulting in four gas wells, an oil well and 27 dry holes. The cost of drilling these tests amounted to \$7.5 million. In addition, GCO supported the drilling of 38 wildcats by contributing acreage or money to other operators for drilling on or near its properties.

Capital outlays for undeveloped properties and geophysical evaluations amounted to \$6.3 million in 1973, compared with \$3.5 million in the preceding year. Most of the newly acquired properties are in the Gulf Coast region of the United States and in western Alberta.

Geological expenses, lease rentals and other exploration costs totaled \$4.0 million for the year. This was a small net increase over 1972 as the cost of additions to the Company's technical staff were offset in a large part by reduced exploration expenditures for other minerals.

The Company continues to seek highly-qualified exploration personnel to bolster its capacity for creating exploration opportunities to match the funds which are being generated from operations. Progress has been made in this area, as evidenced by the fact that 18 regional geological surveys were undertaken during 1973 and the inventory of drillable prospects has been increased. It is expected, however, that additional growth in the capacity to create prospects will be required in the immediate future.

GULF COAST REGION

Exploration expenditures in the Gulf Coast region amounted to \$10.7 million, or approximately 60 percent of the Company's 1973 exploration budget. This resulted in the drilling of 19 exploratory wells and the acquisition of 116,200 net acres of undeveloped leases. In addition, 18 wells were supported by acreage or cash contributions.

Offshore Texas — General Crude Oil Com-

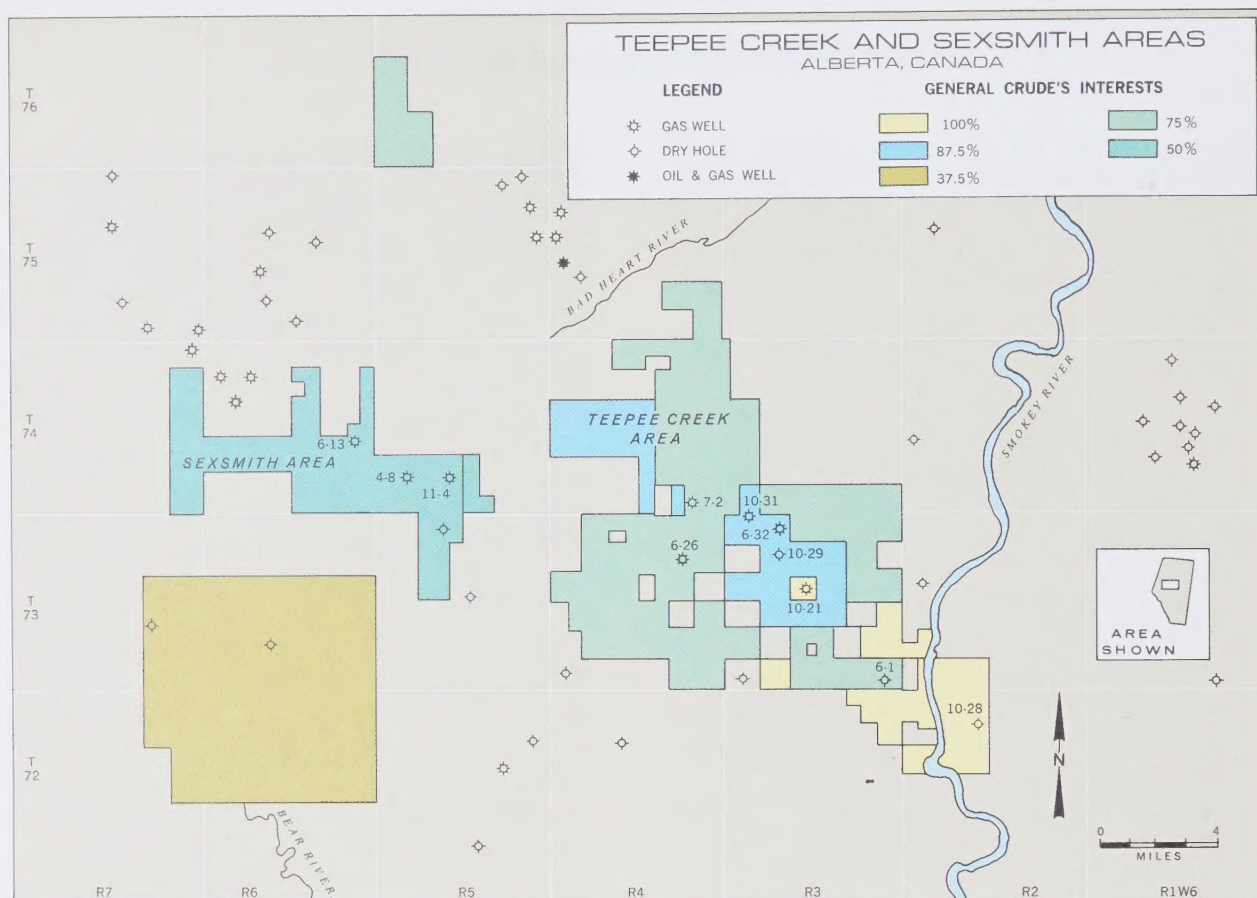
pany is a member of three exploration groups which are working in state waters offshore Texas. In the October sale, leases were acquired on 46 tracts with an aggregate area of 44,600 acres. The Company owns a one-half interest in these properties, or 22,300 net acres, and plans to drill a series of wildcat wells on prospects which were developed during the past year. GCO's total holdings offshore Texas now amount to 28,400 net acres. Of the total exploratory dry holes drilled by GCO during 1973, four were attempts to find productive Miocene sands similar to those in Block 445-L field in the Brazos area. The Company participated in the discovery of this gas field in 1972.

Onshore Texas — On inland locations along the Gulf Coast, drilling operations were completed on 15 exploratory wells during 1973. Most of these were on the upper Gulf Coast, near the Esperson Dome, Southeast Hastings and Martin Ranch fields. All of these attempts were unsuccessful; however, the Martin #4, which was completed early this year, has discovered several new productive sands which were not present in the Martin #1. These wells are located on property acquired in the Houston Farms merger in 1968, and additional drilling is planned for this area in 1974.

On the lower Gulf Coast of Texas, General Crude Oil Company has developed a series of Wilcox prospects from regional geology, photogeology and gravimetric work. To date, approximately 32,000 net acres have been acquired on these prospects. A wildcat drilling program was commenced during the fourth quarter of 1973 and is expected to continue throughout 1974.

In another area of the coastal region, GCO has developed a series of Edwards and Sligo prospects which are scheduled for testing in 1974. One of these is a 16,000-foot wildcat currently in progress in Karnes County.

Smackover Trend — GCO continues to actively explore for the Smackover in Mississippi, northern Louisiana, southern Arkansas and East Texas. During the past year the Company drilled or supported five wells in the trend and acquired leases on a number of prospects developed from



Wells Completed

	Gross Wells		Net Wells	
	1973	1972	1973	1972
EXPLORATORY				
Productive	5	9	3.9	5.0
Dry	27	19	19.7	6.3
	32	28	23.6	11.3
DEVELOPMENT				
Productive	70	95	20.9	35.0
Dry	13	12	4.2	7.0
	83	107	25.1	42.0
TOTAL	115	135	48.7	53.3
FOOTAGE — ths. ...	961	1,028	368	304

Productive Exploratory Wells Completed in 1973

Teepee Creek 7-2 in Alberta was completed as a gas well in the Lower Cretaceous formation at a depth of approximately 4,800 feet.

Sexsmith 11-4 in Alberta discovered gas and distillate in the Permian formation at a depth of 6,700 feet.

Sexsmith 6-13 was completed as a gas distillate well in the Lower Cretaceous formation at 5,400 feet.

Layne #1 in Atoka County, Oklahoma was completed as a gas well in the Mississippian formation at a depth of approximately 6,000 feet.

Lewis #1 is an oil well east of the Boomerang field in Kent County, Texas. It produces from the Pennsylvanian formation at a depth of about 6,600 feet.

computer mapping techniques. These prospects are now being evaluated seismically. General Crude has also joined an exploration group which is evaluating a large block of 430,000 acres in the Black Warrior Basin in northeastern Mississippi.

OTHER AREAS OF USA

Rocky Mountains—General Crude Oil Company supported the drilling of ten wildcats in the Rocky Mountain area by farmouts and dry hole contributions. These tests consisted of nine wells in Wyoming and one in eastern Utah. GCO's acreage position was also improved during the past year by the acquisition of 136,000 acres, bringing the year-end lease inventory in this area up to 367,000 acres.

West Texas—Near the Salt Creek field in Kent County, the Company conducted an experimental seismic program aimed at locating additional Canyon Reef and Strawn Lime prospects. Because of the encouraging results of this work, additional leases have been acquired and several wildcats are planned for this year. One of the discovery wells drilled in 1973 is a small oil producer east of the Boomerang field in Kent County.

Mid-Continent—The Company is currently evaluating the potential of a small 1973 gas discovery in Atoka County, Oklahoma and is co-operating with owners of contiguous land in order to evaluate the profitability of tight gas bearing formations in the area. Also, regional geologic studies were initiated in 1973 in southern Oklahoma, and additional investments will be made in this area during 1974.

FOREIGN

Canada—In the Peace River Arch area of West Central Alberta, General Crude completed two new gas discoveries on the Sexsmith prospect and one new gas discovery on the Teepee Creek prospect. Moreover, proved reserves were increased by the drilling of a productive development well in each of the areas. The wildcat discoveries at Sexsmith will be followed by additional drilling this year.

Exploration along the Peace River Arch will be accelerated in 1974. GCO will also continue to evaluate the deep Devonian reefs in West Cen-

tral Alberta and will pursue the evaluation of its properties along the foothills in eastern British Columbia and western Alberta.

New Guinea—In the Territory of New Guinea, GCO has abandoned the Bongos # 1 as a dry hole at 4,712 feet. The drilling rig was subsequently moved 110 miles east where the Keram # 1 was recently completed as a dry hole at 6,546 feet. Both wells are located in the Sepik River Basin, which is one of the last large untested tertiary basins in the Far East. The encounter of marine sediments in the Keram well has encouraged the Company and its partners to consider conducting additional exploratory activity on their 12.8 million acres.

North Sea—General Crude has enlarged the scope of its operations in western Europe and has opened an office in London to oversee this activity. During the past year seismic evaluation work was completed on Block P-4 in the Dutch waters, and a decision will be made this year on the drilling of a joint exploratory well. In the German sector, an exploration group of which General Crude is a member, has taken a farmin and will drill a rank wildcat to 11,000 feet to test the Jurassic formation. In the British North Sea, the Company is participating in two exploration groups which are gathering geophysical information in preparation for anticipated lease offerings in 1974. GCO is also a participant in a group which recently completed a reconnaissance seismic survey of unleased blocks in the Celtic Sea.

MINERALS

General Crude Oil Company expended \$393,000, or about two percent of its 1973 exploration budget, in the search for other minerals. Activity included joint-venture projects in the United States, Canada and Australia, with the major emphasis on the search for base metals. In Western Australia, a feasibility study will be undertaken for the development of ilmenite reserves which were discovered in 1971. Cost of the study will be borne by another company in consideration for an interest in the reserves.

Plans for 1974 provide for the continuation of current programs and the development of new programs in the United States and eastern Canada.



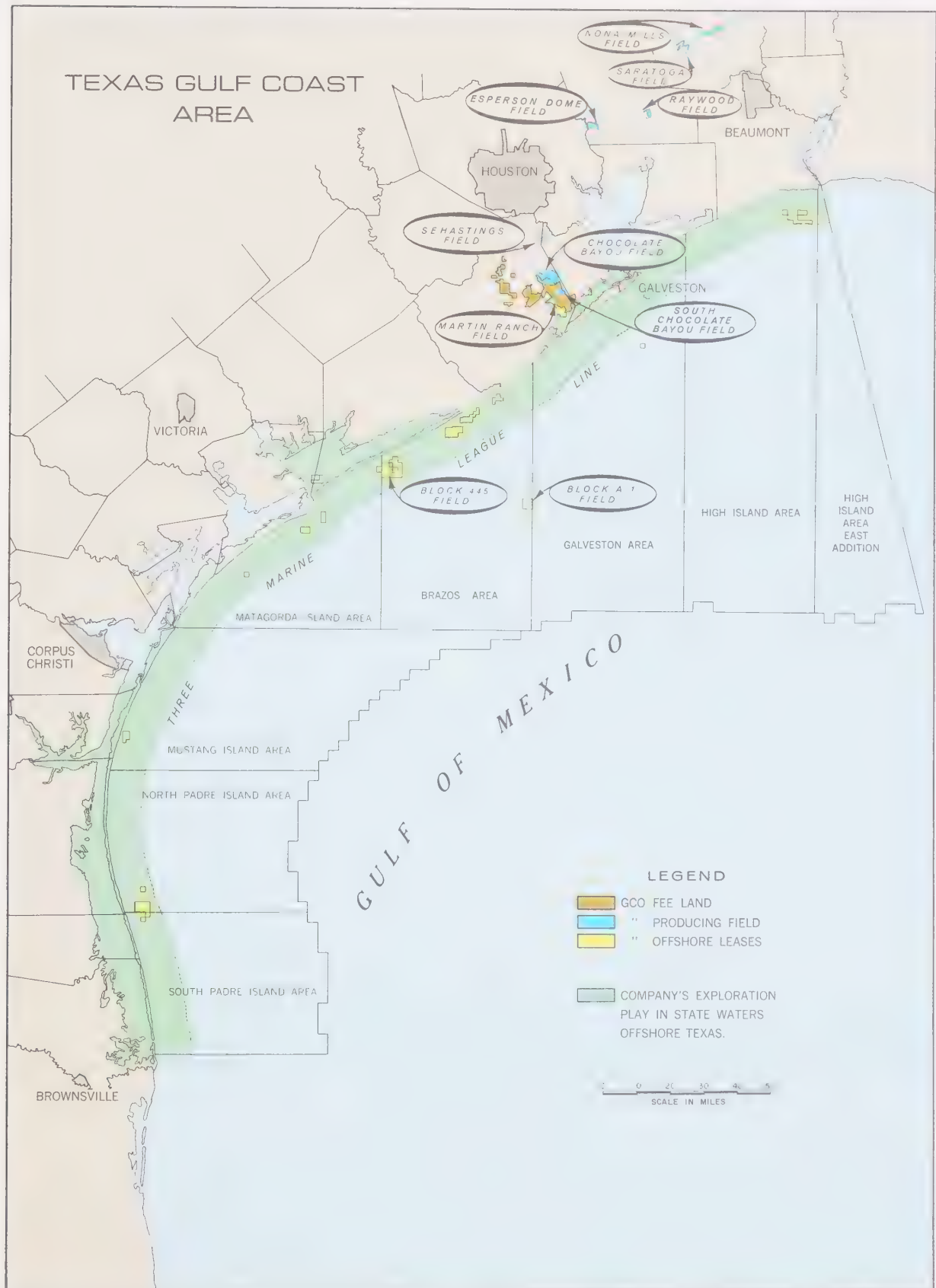
GENERAL CRUDE OIL COMPANY

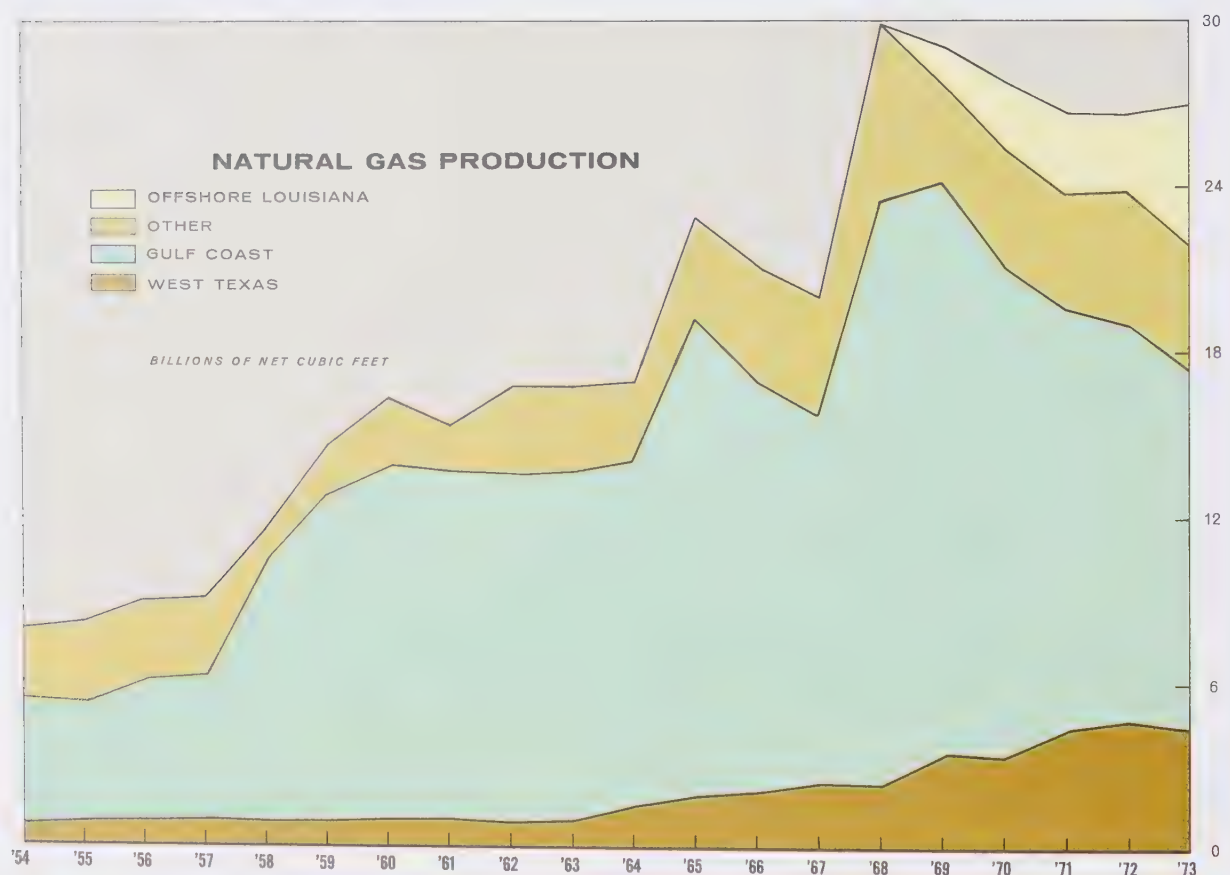
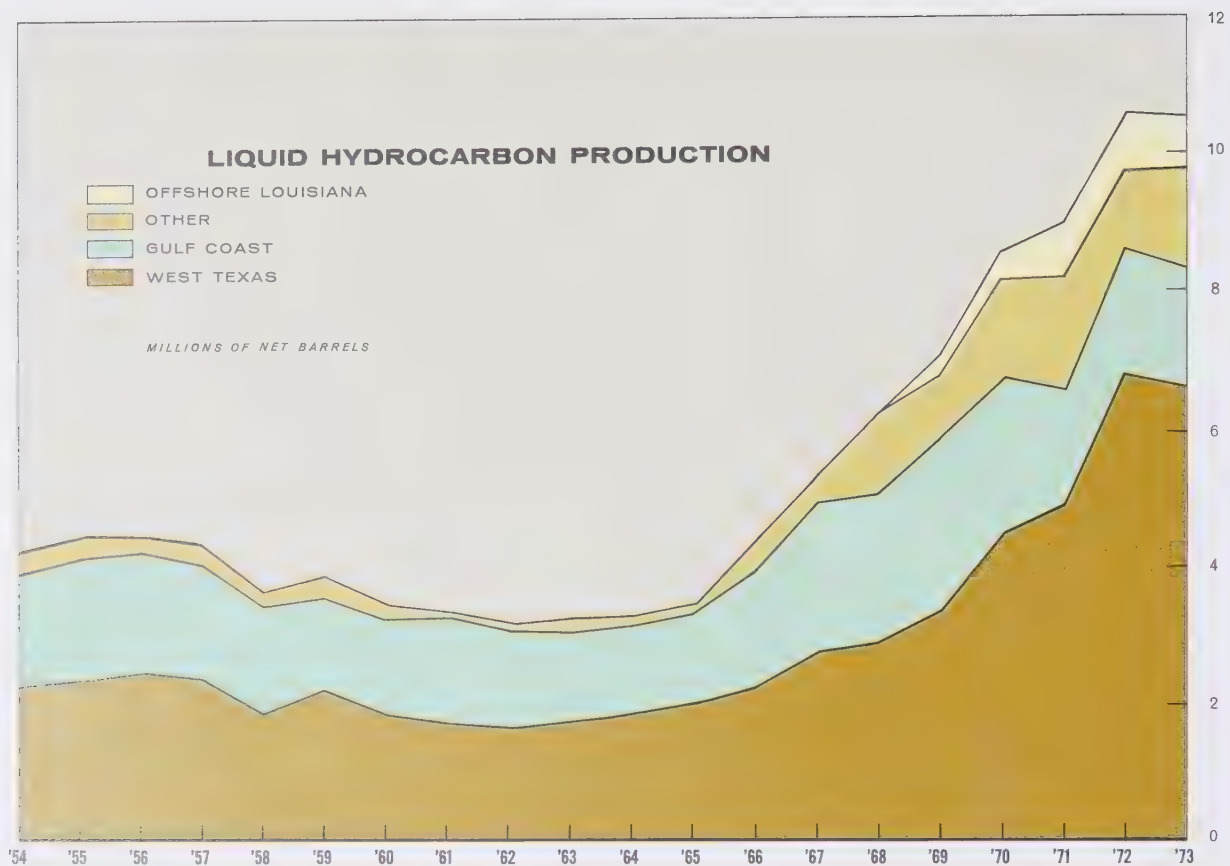
Net Undeveloped Acreage

	1973	1972	1971	1970	1969
UNITED STATES					
Alabama	8,500	10,500	7,800	—	—
Arkansas	50,700	44,900	44,200	11,400	11,400
California	—	—	—	6,000	11,100
Colorado	42,900	39,600	33,000	25,700	14,600
Louisiana	66,600	53,500	36,400	32,300	27,600
Mississippi	122,100	69,100	76,000	11,600	5,200
Montana	55,900	14,000	40,100	52,300	80,000
North Dakota	36,300	36,300	52,700	107,400	41,800
Oklahoma	20,000	24,600	11,700	11,700	13,300
Oregon	25,200	25,200	25,200	25,200	25,200
Pennsylvania	39,800	40,000	38,900	38,400	38,400
South Dakota	10,500	10,500	10,200	10,200	10,200
Texas	222,800	164,400	159,900	124,400	163,900
Utah	144,500	54,800	49,300	45,600	26,500
Wyoming	77,200	79,300	90,900	95,900	55,000
Other	9,300	10,900	14,000	13,200	30,000
TOTAL	932,300	677,600	690,300	611,300	554,200
CANADA					
Alberta	402,000	324,300	414,400	150,400	187,600
Bay of Fundy	—	—	234,800	234,800	234,800
British Columbia	380,000	435,900	425,200	2,300	2,600
N.W. Territories	1,008,100	1,044,100	1,046,100	1,178,900	1,268,200
Quebec	—	48,200	48,200	48,200	48,200
Saskatchewan	55,000	110,000	182,100	34,800	121,100
Yukon Territory	82,700	217,200	244,300	244,300	82,700
TOTAL	1,927,800	2,179,700	2,595,100	1,893,700	1,945,200
OTHER FOREIGN					
Australia (1)	704,000	704,000	704,000	704,000	704,000
Barbados (2)	106,100	106,100	106,100	106,100	106,100
Netherlands	7,900	—	—	—	—
New Guinea	1,531,900	1,675,500	1,675,500	—	—
Nicaragua	—	247,000	247,000	247,000	—
St. Vincent	554,900	554,900	—	—	—
TOTAL	2,904,800	3,287,500	2,732,600	1,057,100	810,100
GRAND TOTAL	5,764,900	6,144,800	6,018,000	3,562,100	3,309,500

(1) Additional work is required to earn rights to this acreage.

(2) Excludes an indeterminate amount of acreage offshore.





Production

During 1973 General Crude Oil Company produced 10.5 million net barrels of liquid hydrocarbons and 27 billion net cubic feet of natural gas. The aggregate market value of these products amounted to \$48.4 million.

The gross volume of hydrocarbon liquids produced from Company-operated properties amounted to 57,900 barrels per day and the Company's share of this volume, together with its interest in properties operated by others, averaged 28,900 net barrels per day. This was essentially the same net volume as produced in the preceding year; however, the small difference included major changes which were offsetting in nature. Higher market demand factors in Texas, increased production from new properties, and the retirement of a production payment in the West Newport field were positive forces which were counterbalanced by the unfavorable effects of a temporary curtailment in production rates in two of the Company's large fields in West Texas and natural declines in some of GCO's older fields.

The Company's net production of natural gas averaged 74.1 million cubic feet per day, or an improvement of approximately two percent over 1972. The principal reason for the increase is attributable to the development of properties in the Eugene Island and West Cameron areas offshore Louisiana, and the commencement of sales from the Martin Ranch field in Brazoria County, Texas. These improvements were offset in a large part by declining productivity of older properties, primarily the Nona Mills and Ship Shoal fields.

PRICES

The average market value of liquid hydrocarbons amounted to \$3.93 a barrel in 1973, compared with \$3.42 in 1972. The average for the month of December was \$4.89. Most crude oil and distillate prices are now regulated by the Federal Energy Office. At present there are no ceiling prices for "new and released" oil and production from "stripper" wells; however, Congress is considering legislative action which would change this.

General Crude Oil Company had a relatively small amount of unregulated oil in 1973; however, production rates were stepped up in two of the Company's major fields in West Texas on January 1, 1974. Under present regulations, this will result in a significant amount of "new and released" oil in the first quarter. This benefit will not continue for the remainder of the year because the amount of "new and released" oil is determined by measuring current monthly production volume against production in the comparable month in 1972. During the first quarter of that year, the market demand factor in Texas averaged 76.4 percent; however, the demand factor has been 100 percent since April 1, 1972 and is expected to remain at that level indefinitely.

The average market value of natural gas was 22.4 cents per thousand cubic feet in 1973, compared with 18.5 cents in the preceding year. This improvement was largely attributable to the development of new production in the Eugene Island and West Cameron areas offshore Louisiana and on the Martin Ranch property on Chocolate Bayou. The newly developed offshore gas is being sold under a long-term interstate contract at a current price of 32 cents per thousand cubic feet, and the Martin Ranch gas is being sold on a short-term basis for a price of \$1 per thousand cubic feet. Prices for interstate sales of natural gas continue to be regulated by the Federal Power Commission and are artificially low.

Sales were commenced recently from two additional gas properties: the Block A-1 field in federal waters offshore Texas for 32 cents per thousand cubic feet, and the Block 445-L field in state waters offshore Texas for 52 cents per thousand cubic feet. Both fields are in the Brazos area.

DEVELOPMENT ACTIVITY

Development expenditures totaled \$10.2 million in 1973, or an increase of about 13 percent over 1972. Approximately two-thirds of this amount was expended for the development of properties located in the Gulf Coast region, in-



Major Fields

Map Symbol	Field	Net Sales Revenue			Liquid Hydrocarbons			Natural Gas		
		Thousands	Improvement	Avg.	Price Per	Barrels	Percent	Avg.	MMCF	Percent
		1973	1972	(Impairment)	Barrel	(Ths.)	of Total	Price Per MCF		of Total
1	Salt Creek	\$12,871	\$12,128	\$ 743	\$4.04	3,184	30.2%	—	—	—
2	Claytonville	8,387	6,769	1,618	4.04	1,891	17.9	19.0¢	1,787	6.6%
3	Esperson Dome ...	4,310	4,122	188	4.21	989	9.4	17.0	753	2.8
4	SACROC	2,939	2,114	825	4.39	638	6.1	22.5	508	1.9
5	Ship Shoal Area ...	2,651	3,082	(431)	3.83	565	5.4	25.1	1,866	6.9
6	Round Top	1,799	1,737	62	4.13	383	3.6	18.0	1,062	3.9
*	West Newport	1,614	621	993	2.83	570	5.4	—	—	—
*	Hilight	1,110	825	285	4.52	207	2.0	21.2	984	3.7
7	East Texas	914	811	103	3.99	222	2.1	14.2	73	.3
8	Eugene Island Area	908	—	908	4.23	34	.3	32.0	2,272	8.4
9	Saratoga	653	552	101	3.86	169	1.6	—	—	—
10	Nona Mills	640	873	(233)	4.10	56	.5	16.7	1,978	7.3
11	Loma Blanca	605	657	(52)	4.11	38	.4	15.0	2,381	8.8
12	Raywood	546	519	27	4.19	39	.4	15.5	2,424	9.0
13	Rayne	518	439	79	3.90	47	.4	22.4	744	2.8
14	Martin Ranch	406	—	406	5.63	8	.1	50.9	715	2.6
15	S. E. Hastings	377	—	377	4.71	74	.7	47.4	63	.2
16	West Cameron Area	370	—	370	4.79	12	.1	32.0	983	3.6
17	Clairemont	362	296	66	4.16	85	.8	20.0	22	.1
18	Chocolate Bayou ..	348	435	(87)	4.13	19	.2	21.5	1,251	4.6
*	All Other	4,229	3,736	493	3.83	698	6.6	25.7	6,249	23.1
	Subtotal	46,557	39,716	6,841	4.01	9,928	94.2	23.0	26,115	96.6
*	Gas Plants	1,800	1,512	288	2.58	616	5.8	18.4	931	3.4
	Total	\$48,357	\$41,228	\$ 7,129	\$3.93	10,544	100.0%	22.4¢	27,046	100.0%

* Not shown on map



LEGEND: ○ FIELD

ANALYSIS OF CHANGES IN SALES REVENUE

1973 vs 1972

	Increase or (Decrease)		
	Liquid Hydrocarbons	Natural Gas	Total
Increased revenue from higher prices and improved sales mix	\$5,113,000	\$ 435,000	\$5,548,000
Lower revenue resulting from a net reduction in production from old fields	(501,000)	(88,000)	(589,000)
Increased revenue resulting from the development of new fields.			
Eugene Island, Block 296	145,000	763,000	908,000
Martin Ranch	42,000	364,000	406,000
Southeast Hastings	347,000	30,000	377,000
West Cameron, Block 171 ...	56,000	315,000	371,000
Brazos, Block A-1	45,000	63,000	108,000
Total new production	635,000	1,535,000	2,170,000
Total net change in revenue ...	\$5,247,000	\$1,882,000	\$7,129,000

cluding both offshore and onshore locations. Development expenditures consist of capital and expense items for drilling and equipping wells, and the cost of constructing pipelines, natural gas plants and various other producing and processing facilities. Included in 1973 operations were the costs of 83 development wells in which the Company's interest amounted to 25 net wells.

WEST TEXAS

Salt Creek — The Salt Creek field continued to be the leading producer of revenue for General Crude Oil Company during 1973. The Company's share of revenues from this field amounted to \$12.9 million, which is an increase of seven percent over 1972. Volume was actually down about seven percent because of a voluntary reduction in producing rate last April. This cutback was a precautionary measure to allow the Company and other owners to review reservoir performance following a rapid buildup of producing rate in 1971 and 1972. The field has produced in excess of 110 million barrels since its discovery in 1950, and approximately 40 percent of this production occurred during the last four years. The engineering and geological studies indicate that no reservoir damage resulted from the high level of production; therefore, the production was restored to the allowable rate of 37,800 barrels per day on January 1, 1974. During the period of curtailment, from April 1 to December 31, 1973, the average daily rate of production was 31,800 barrels.

Sales of LPG products from the Salt Creek gas plant were commenced in October 1973. Deliveries are expected to average approximately 2,000 barrels per day and General Crude's share of the proceeds should amount to about \$1.5 million per year.

Claytonville — The Company's share of production from the Claytonville field during 1973 amounted to 1.9 million barrels of crude oil and 1.8 billion cubic feet of natural gas. These volumes were marketed for \$8.4 million, making the field the second largest producer of revenues for GCO.

Production from Claytonville was cut back for the same reason and at the same time as Salt Creek. The field allowable is 16,000 barrels per day and the actual rate of production was restored to that level on January 1, 1974. During the period of curtailment the daily average producing rate was about 13,000 barrels.

SACROC — Because of water injection and a carbon dioxide miscible displacement process, production from this large unitized field has been increased from approximately 180,000 barrels per day to 210,000 barrels daily. General Crude Oil Company owns only about one percent of the working interest in the unit; however, its share of the revenue during 1973 amounted to \$2.9 million.

Round Top — Although production from the Round Top field declined in 1973, the production rate has leveled off at approximately 3,500 barrels a day as the result of a pressure maintenance program commenced in 1971. The Company's 34 percent working interest yielded \$1.8 million in revenue during the past year.

ESPERSON DOME

The Company's net crude oil production from the Esperson Dome field decreased about seven percent from 1972; however, total revenues of \$4.3 million were up about five percent. This field contains over 300 wells which produce from numerous reservoirs. Several gas and water injection projects have been successfully implemented and the use of these secondary recovery techniques are being expanded to additional reservoirs. Also, during 1973 a pilot polymer injection program was initiated in one reservoir, and other types of secondary recovery projects are being considered for 1974.

OFFSHORE LOUISIANA

Liquid hydrocarbon production volume declined about 17 percent in the Ship Shoal area and aggregate sales proceeds declined from \$3.1 million in 1972 to \$2.7 million in 1973. During the last half of the year, a pressure maintenance program became operational in several major productive zones in Block 207. This was undertaken in order to reduce the rate of production decline and increase the recovery of oil.

Development was continued throughout the year on properties in the Eugene Island and West Cameron areas, which were acquired in the December 1970 federal lease sale. Development of the West Cameron property is now essentially completed, but work will continue in the Eugene Island area in 1974. Natural gas production from properties in these areas was up to 300 million cubic feet per day at year end, and GCO's share

of sales revenue in 1973 amounted to \$1,300,000.

WEST NEWPORT

The payout of a production payment in February 1973 has resulted in a material increase in GCO's production from the West Newport field in Orange County, California. The Company's net production was equal to almost 1,600 barrels per day, compared with approximately 700 barrels daily in 1972. Gross production for the year was the highest in the history of the field, averaging 3,637 barrels per day. This amounted to an improvement of approximately ten percent over 1972.

This field produces low-gravity crude oil by in-situ combustion and other secondary recovery techniques. At the time GCO purchased its interest in the field in 1967, the heavy oil sold for only \$1.95 a barrel; however, subsequent price increases have raised the average market value to \$4.21 a barrel. The higher price level will encourage the expansion of this operation in order to increase recovery of additional volume from the large reserves of oil in place. The Company's sales revenue from this property in 1973 amounted to \$1.6 million.

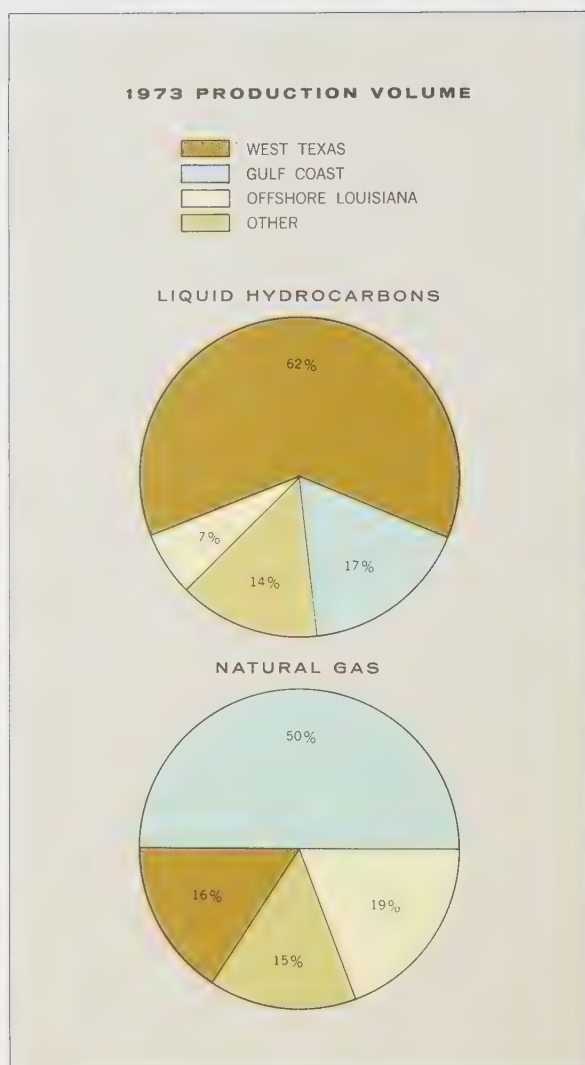
Thermal recovery operations are also being expanded in the Saratoga field on the Texas Gulf Coast, where three additional air injection wells have been ignited and compressors are on order to double the air injection capacity in 1974.

OTHER FIELDS

Production from the East Texas field averaged 600 barrels a day and was virtually the same as 1972. Price increases, however, raised the sales revenue about 13 percent. Most of the Company's properties are favorably located near the eastern boundary of the field and should be among the last to be depleted.

Production from the Hilight field in northeastern Wyoming was up slightly from the preceding year, reflecting the favorable response to the initiation of pressure maintenance operations.

Development operations are continuing in the Southeast Hastings field in Galveston County, Texas, which was discovered in 1972. By year-end 1973, three well bores with multiple pay zones had been completed and a fourth was in process of being completed as a dual-zone producer. Gross production from these wells should amount to about 1,000 barrels of liquids per day and five to six million cubic feet of natural gas per day. GCO owns a 50 percent working interest.



Agriculture

In March 1973 General Crude Oil Company acquired all of the outstanding shares of the South Texas Water Company and certain other assets owned by the shareowners individually or in partnership. The principal asset was 16,000 acres of land in the vicinity of GCO's properties on Chocolate Bayou in Brazoria County, Texas. The purchase brought the Company's holdings in Brazoria County up to 54,200 acres. Other assets included water rights and related canal systems, rice allotments, a rice dryer and certain agricultural equipment.

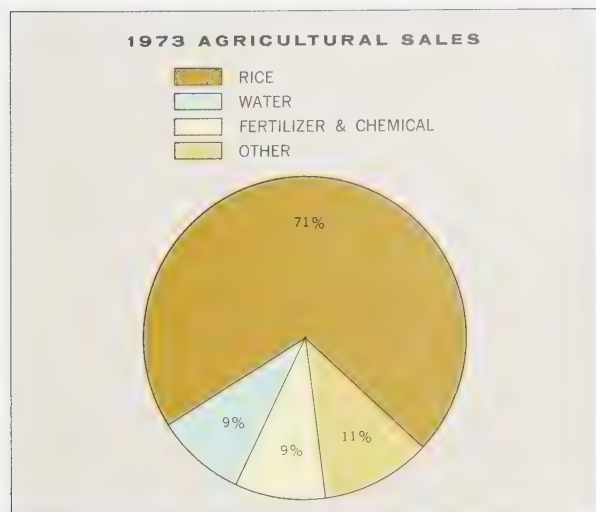
General Crude became active in agriculture as a result of the merger with Houston Farms Development Company in 1968. This merger was undertaken by GCO primarily because of the exploration potential of the Houston Farm's property, which includes 44,500 mineral acres and 36,500 surface acres. The property is situated on the upper Gulf Coast of Texas where prospects are good for locating major gas reserves through the utilization of modern geophysical techniques and deep drilling. The Martin Ranch wells are examples of the gas potential in this area.

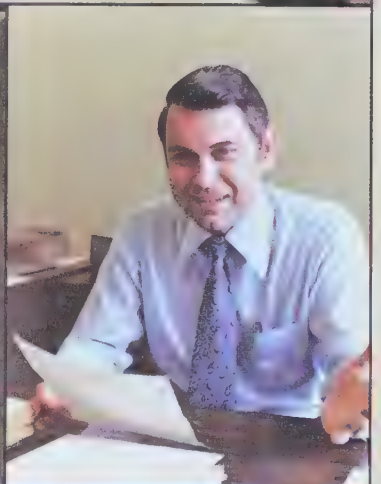
At the time of the merger it was recognized that many years would be required to obtain the greatest economic return on GCO's investment in

the surface acreage, which is best suited for industrial plant sites. Because of this time delay, emphasis was placed on an active participation in the agricultural business in order to increase profits through more intensive utilization of the surface. The implementation of this plan began shortly after the merger; and by the time the opportunity materialized to acquire South Texas Water Company, General Crude had developed a viable agricultural business.

The South Texas acquisition enabled the Company to increase its property holdings in the area by 44 percent and more than triple its rice growing capacity in one transaction. Also, the Company's rights for utilization of fresh water from the Brazos River were greatly increased as a result of the merger. During the past year, the Company's sales of 23.8 million pounds of rice yielded revenues of approximately \$3.3 million, or an average of 13.7¢ a pound; in the preceding year sales revenue amounted to \$396,000, or 7.7¢ a pound. Aggregate revenues from agricultural activities in 1973, including income from chemicals, fertilizers, water and rice drying, amounted to \$4.6 million, or eight percent of the Company's consolidated gross income.

There were two contracts negotiated in 1973 regarding the possible disposition of certain of the lands on Chocolate Bayou. The Company sold a one-year option on 2,000 acres to a major chemical company for a plant site, and entered into an interim agreement with another large chemical company which may lead eventually to the construction of a jointly-owned refinery. The latter agreement provides that General Crude will reserve 20,000 acres of its land up to one year from January 1, 1974 for the possible selection of a 3,000-acre refinery site. In addition, GCO will make substantially all of its oil production and a certain part of its gas and water resources available for use in the refinery in the event a definitive agreement can be reached by the end of 1974.





Personnel

By year end 1973 there were 367 persons employed by General Crude Oil Company, including 189 in production, 57 in exploration, 64 in agriculture, and 57 in administrative and service functions. This is an addition of 60 persons over last year, or an increase of approximately 20 percent. Most of the growth was in agricultural operations, reflecting the effects of the South Texas Water Company acquisition. There was also an increase in production employees because of greater utilization of Company personnel in well servicing operations in the West Newport field in California; and, as mentioned previously, exploration employees have been added because of expanded activities in the search for new supplies of oil and gas.

The South Texas Water Company was liquidated shortly after it was acquired and the employees were transferred to a division of General Crude Oil Company, which was formed for the purpose of conducting all agricultural operations. At the same time, the employees of Chocolate Bayou Land and Water Company, a wholly-owned subsidiary of GCO, were transferred to this newly created division. Chocolate Bayou Land and Water Company will be continued as a separate company; however, operations will be conducted by employees of GCO's agricultural division on a contractual arrangement.

The sustained growth of General Crude Oil Company has been accompanied by new challenges and opportunities for employees. This, coupled with a rapidly changing world, makes it imperative that employees continue to improve and expand their job skills. The Company has assisted in this endeavor in several ways, including the installation in 1973 of the American Petroleum Institute Profit Series of programmed learning courses. This curriculum of self-instructional courses was developed specifically for lease operators and other operating personnel.

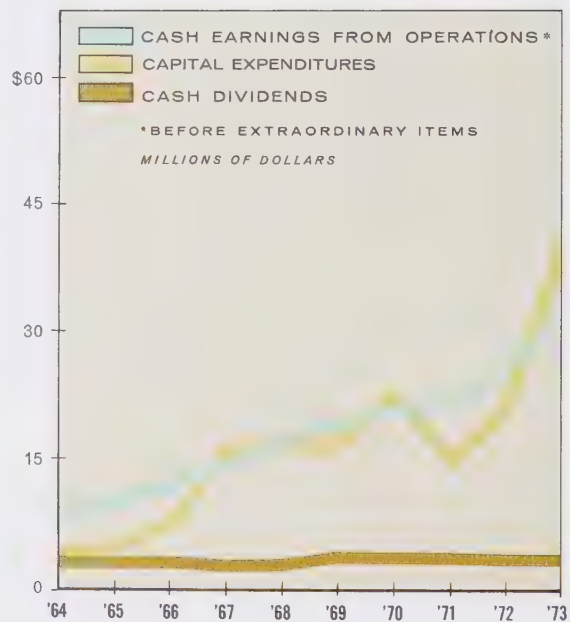
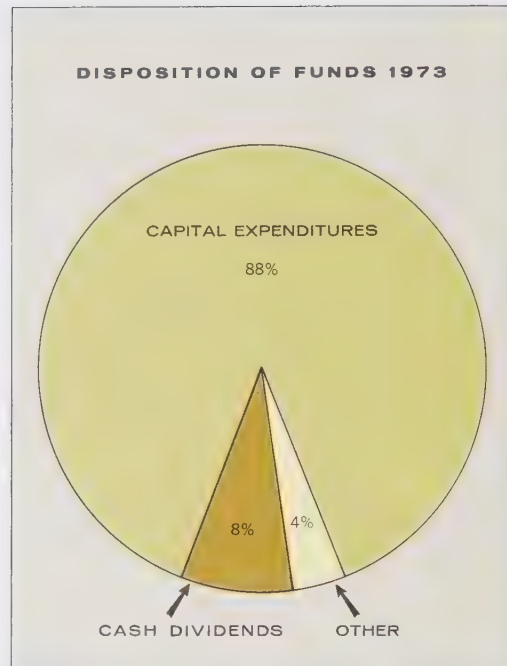
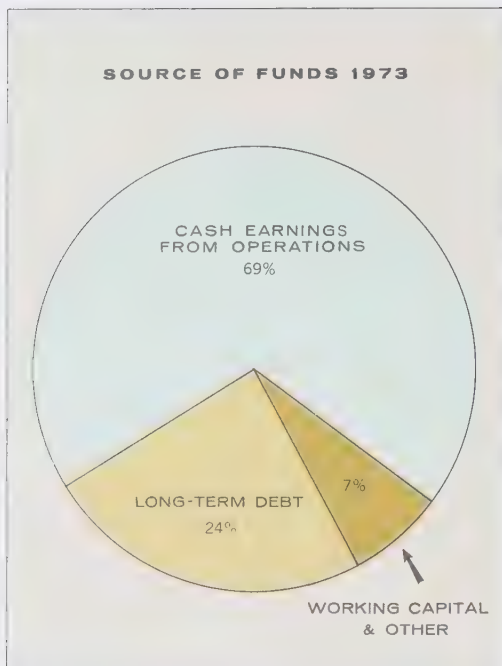
During the past year a pilot program of Management By Objectives (MBO) was initiated in the production division in an attempt to improve

management effectiveness. MBO involves the determination of objectives and the establishment of a realistic program for their achievement. It also provides a basis for evaluating performance in relation to goals developed under the program. This process helps an individual to better understand what is expected of him and enables him to participate in the development of goals. After the operation of this program is reviewed and perfected, it may be extended to additional levels in the organization.

Programs offered by universities and other schools have been utilized to develop and perfect technical and managerial skills. Individual programs have varied in length from several days to as long as three months and have involved participation by members from substantially all departments of the Company. Moreover, employees who are furthering their education by attending schools on their own initiative during off-duty hours have been assisted by defraying a part of the cost of tuition, books and other supplies.

Employee compensation and benefit programs are reviewed frequently by the Industrial Relations Department, and managers of the divisions and departments to insure that General Crude Oil Company is competitive with the practices of other companies in the petroleum industry. Compensation and benefits are currently regulated by the federal government, and GCO is required to comply with guidelines established by the Cost of Living Council. These regulations, together with contractual arrangements for operations of certain properties, have restricted the Company's initiatives in this area. It is hoped that all governmental controls will be phased out completely during 1974.

During the last quarter of 1973 the Company headquarters in Houston were moved from the Bank of the Southwest Building to One Allen Center. The new quarters are on the twenty-sixth and twenty-seventh floors, with sufficient option space to provide an orderly accommodation of future growth.



Financial

Gross income, net earnings, and capital outlays continued to increase and reached record high levels in 1973.

GROSS INCOME

Gross income amounted to \$54.2 million and was up 26 percent from 1972. Higher market prices and expanded agricultural operations were the principal reasons for the improvement. The relative size of various revenue components was as follows: liquid hydrocarbon sales, 77 percent; natural gas sales, 13 percent; agricultural income, eight percent; and interest and other income, two percent.

NET EARNINGS

A large part of the increase in gross revenue was offset by higher dry hole costs, increased production expenses and greater provisions for income taxes. This resulted in net earnings of \$17 million, or \$1.75 a share, an improvement of approximately 20 percent over 1972.

CAPITAL EXPENDITURES

Capital outlays amounted to \$40 million, including the \$11.2 million note issued by GCO in the South Texas Water Company purchase. Total consideration for this acquisition was \$15.3 million. Most of the other increase in expenditures was for intangible development and dry hole costs, which totaled \$12.5 million. Of this amount, \$4.8 million was applicable to productive wells and \$7.7 million was spent on dry holes. Expenditures for undeveloped leases and geophysical work were also up sharply, reflecting an increase of \$2.8 million, or 80 percent, over 1972.

WORKING CAPITAL

Despite the high level of capital expenditures in

1973, working capital at year end amounted to \$9 million and constituted 11 percent of the Company's total net assets. The ratio of current assets to current liabilities was 1.7 to 1. Cash and equivalent amounted to \$9.4 million at year end and included \$8.5 million in marketable short-term investments having a weighted-average yield of approximately nine percent.

SHAREOWNERS

At year end, there were 1,749 owners of General Crude Oil Company common stock. During 1973, trading volume reflected by the National Securities Dealers Association's Automated Quotation Service was approximately 1.7 million shares, and the range in market value was from \$22.75 to \$42.75 a share.

SECONDARY OFFERING

In January 1974, GCO and The Glenmede Trust Company announced plans for filing a registration statement with the Securities and Exchange Commission covering a secondary offering by Glenmede of approximately 500,000 shares of General Crude Oil Company common stock. The Glenmede Trust Company is trustee for The Pew Memorial Trust, which is a private charitable foundation. The Pew Memorial Trust owns 5,564,000 shares of the outstanding common stock, or about 57 percent ownership in the Company after giving effect to the future conversion of all of the outstanding convertible preferred stock. The proposed sale will reduce the foundation's ownership to approximately 52 percent. The offering will be made only by means of a prospectus, and terms of the offering have not yet been determined. General Crude Oil Company will, of course, receive none of the proceeds from the secondary offering.

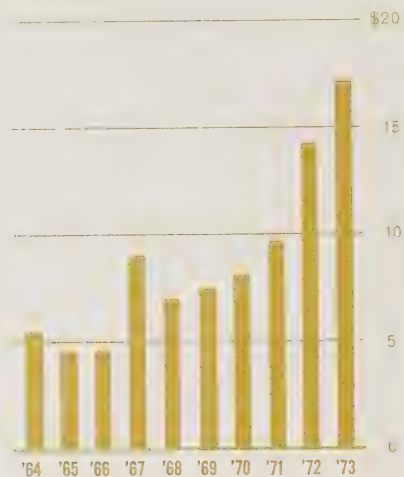
TOTAL INCOME

MILLIONS OF DOLLARS



NET EARNINGS

MILLIONS OF DOLLARS



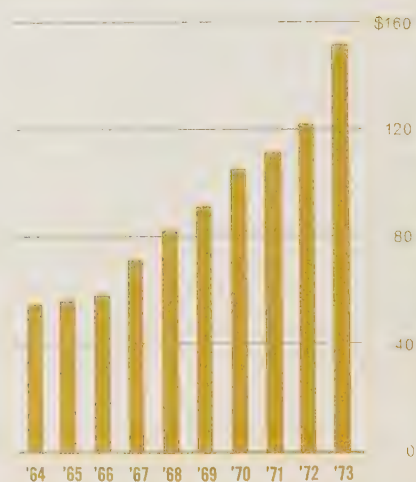
WORKING CAPITAL

MILLIONS OF DOLLARS



PROPERTY & EQUIPMENT

MILLIONS OF DOLLARS



Consolidated Earnings

	Year Ended December 31	
	1973	1972
INCOME		
Liquid hydrocarbon sales	\$41,445,000	\$36,198,000
Natural gas sales	6,912,000	5,030,000
Agricultural sales	4,608,000	824,000
Interest and other income	1,276,000	866,000
Total income	54,241,000	42,918,000
COSTS		
Production services and supplies	7,602,000	6,300,000
Dry hole costs	7,675,000	5,058,000
Depreciation, depletion and amortization	4,897,000	3,395,000
Taxes other than income taxes (Note D)	3,453,000	2,766,000
Exploration services and supplies	3,118,000	3,203,000
Agricultural services and supplies	2,036,000	716,000
Canceled and surrendered leases	1,782,000	3,229,000
Lease rentals	833,000	651,000
General and administrative	680,000	645,000
Development services and supplies	467,000	429,000
Interest and other	885,000	124,000
Total costs	33,428,000	26,516,000
EARNINGS BEFORE INCOME TAXES	20,813,000	16,402,000
Federal income taxes (Note D)	3,800,000	2,225,000
NET EARNINGS	\$ 17,013,000	\$14,177,000
EARNINGS PER SHARE (Note B)	\$1.75	\$1.46

The accompanying notes are an integral part of these statements.

Consolidated Financial Position

ASSETS	December 31	
	1973	1972
CURRENT ASSETS		
Cash	\$ 955,000	\$ 847,000
Short-term investments (Note H)	8,469,000	9,208,000
Accounts and notes receivable	9,322,000	6,061,000
Inventories, at average cost	2,722,000	843,000
Prepayments and deferred charges	806,000	1,610,000
Total current assets	22,274,000	18,569,000
INVESTMENTS AND OTHER ASSETS		
Securities investments (Note H)	2,406,000	1,424,000
Installment notes receivable (Note L)	612,000	793,000
Deferred federal income taxes (Note D)	324,000	184,000
Total investments and other assets	3,342,000	2,401,000
PROPERTY AND EQUIPMENT, at cost		
Producing oil and gas properties	115,833,000	106,993,000
Undeveloped properties	14,779,000	10,337,000
Land, agricultural and other assets	21,495,000	5,438,000
	152,107,000	122,768,000
Less — accumulated depreciation and depletion .	69,286,000	65,231,000
Net property and equipment	82,821,000	57,537,000
	<u>\$108,437,000</u>	<u>\$78,507,000</u>
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,106,000	\$ 4,947,000
Accrued federal income taxes (Note D)	3,636,000	485,000
Long-term debt due within one year	1,404,000	1,422,000
Total current liabilities	13,146,000	6,854,000
LONG-TERM DEBT (Note G)	12,475,000	2,114,000
DEFERRED GAIN, installment sale (Note L)	734,000	965,000
SHAREOWNERS' EQUITY		
Preferred stock — stated value \$3.20 a share; authorized 285,000 shares, issued 224,443 shares (234,298 in 1972) (Note C)	718,000	750,000
Common stock — par value \$.80 a share, authorized 15,000,000 shares, issued 9,153,188 shares (9,113,768 in 1972)	7,323,000	7,291,000
Capital in excess of par or stated value	19,189,000	19,133,000
Retained earnings	58,128,000	44,695,000
	85,358,000	71,869,000
Less — cost of 337,086 shares (339,051 in 1972) of common stock in treasury	3,276,000	3,295,000
Total shareowners' equity	82,082,000	68,574,000
	<u>\$108,437,000</u>	<u>\$78,507,000</u>

The accompanying notes are an integral part of these statements.

Consolidated Changes in Financial Position

	<i>Year Ended December 31</i>	
	1973	1972
FINANCIAL RESOURCES WERE PROVIDED BY		
Operations		
Net earnings	\$17,013,000	\$14,177,000
Dry hole costs	7,675,000	5,058,000
Depreciation, depletion and amortization ...	4,897,000	3,395,000
Canceled and surrendered leases	1,782,000	3,229,000
Deferred federal income taxes	(140,000)	401,000
Total	31,227,000	26,260,000
Additions to long-term debt	10,775,000	—
Book value of assets sold	592,000	484,000
Other sources	16,000	369,000
	42,610,000	27,113,000
FINANCIAL RESOURCES WERE APPLIED TO		
Capital expenditures		
Land acquisitions	13,303,000	—
Intangible development and dry hole costs ..	12,493,000	9,742,000
Undeveloped lease and mineral rights	6,283,000	3,485,000
Lease and well equipment	4,726,000	5,413,000
Agricultural and other assets	3,198,000	1,747,000
Total	40,003,000	20,387,000
Cash dividends	3,580,000	3,609,000
Purchase of securities	1,200,000	—
Retirement of long-term debt	414,000	1,278,000
	45,197,000	25,274,000
WORKING CAPITAL (DECREASED) INCREASED	<u>\$(2,587,000)</u>	<u>\$ 1,839,000</u>
WORKING CAPITAL AT BEGINNING OF YEAR .		
	\$11,715,000	\$ 9,876,000
Cash and equivalent (decreased)	(631,000)	(12,000)
Receivables increased	3,261,000	1,620,000
Prepayments (decreased) increased	(804,000)	1,610,000
Inventories increased (decreased)	1,879,000	(244,000)
Accrued federal income taxes (increased)		
decreased	(3,151,000)	559,000
Other payables and accrued liabilities (increased) .	(3,141,000)	(1,694,000)
Total (decrease) increase	(2,587,000)	1,839,000
WORKING CAPITAL AT END OF YEAR	<u>\$9,128,000</u>	<u>\$11,715,000</u>

The accompanying notes are an integral part of these statements.

Consolidated Changes in Shareowners' Equity

	Preferred Stock	Common Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Common Stock Held in Treasury
DECEMBER 31, 1971	\$787,000	\$7,254,000	\$19,030,000	\$34,127,000	\$3,351,000
Net earnings	—	—	—	14,177,000	—
Cash dividends — Common	—	—	—	(2,626,000)	—
— Preferred	—	—	—	(983,000)	—
Preferred converted (1)	(37,000)	37,000	—	—	—
Sales to employee plan (2)	—	—	103,000	—	(56,000)
DECEMBER 31, 1972	750,000	7,291,000	19,133,000	44,695,000	3,295,000
Net earnings	—	—	—	17,013,000	—
Cash dividends — Common	—	—	—	(2,640,000)	—
— Preferred	—	—	—	(940,000)	—
Preferred converted (1)	(32,000)	32,000	—	—	—
Sales to employee plan (2)	—	—	56,000	—	(19,000)
DECEMBER 31, 1973	<u>\$718,000</u>	<u>\$7,323,000</u>	<u>\$19,189,000</u>	<u>\$58,128,000</u>	<u>\$3,276,000</u>

(1) Conversion of 11,610 preferred shares into 46,440 common shares in 1972 and conversion of 9,855 preferred shares into 39,420 common shares in 1973.

(2) Sale of 5,707 common shares held in treasury in 1972 and sale of 1,965 common shares held in treasury in 1973.

Report of Independent Accountants

TO THE SHAREOWNERS

General Crude Oil Company

We have examined the statement of consolidated financial position of General Crude Oil Company and subsidiaries as of December 31, 1973 and December 31, 1972 and the related statements of consolidated earnings, changes in shareowners' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of General Crude Oil Company and subsidiaries at December 31, 1973 and December 31, 1972, and the consolidated results of their operations, changes in shareowners' equity, and changes in financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Houston, Texas
February 7, 1974

Ermst & Ermst

Notes to Consolidated Financial Statements

NOTE A — Summary of significant accounting policies

Principles of consolidation

The accounts of General Crude Oil Company and its subsidiaries, each of which is wholly owned, are included in the consolidated financial statements after elimination of intercompany accounts and transactions.

Translation of foreign currencies

Foreign currency amounts are translated to U.S. dollars on the following bases: property and equipment at the exchange rates at the date of acquisition; current assets and liabilities at year-end rates; depreciation and depletion at the rates applicable to the related assets; and other expense and income items at average monthly exchange rates. Translation adjustments, which are not material in amount, are reflected in earnings as they occur.

Exploration and development costs

Costs of drilling and completing productive wells are capitalized and costs of dry holes are charged to expense. Unrecoverable costs incurred on exploratory wells in progress at the end of an accounting period are charged to dry hole expense, and costs incurred on development wells in progress are capitalized. Adjustments necessary to conform this practice to the basic policy of capitalizing productive well costs and expensing dry hole costs are recorded in the period in which well results are determined.

The costs of acquiring undeveloped mineral properties are capitalized. Geophysical expenditures on properties located in the United States and Canada are added to leasehold costs if they lead directly to the acquisition of properties or enhance the exploration prospects of properties previously acquired. Other geophysical expenditures, lease rentals and initial prospecting costs for minerals other than oil and gas are expensed. Costs of undeveloped mineral properties which do not become productive are carried in the accounts until the properties are condemned, surrendered or otherwise disposed of, at which time they are charged to expense.

Depreciation, depletion and amortization

Depreciation is computed by the unit-of-production method for lease and well equipment and by the straight-line method for other depreciable assets. Producing leasehold costs and the intangible costs of productive wells are depleted by the unit-of-production method. Productive properties located onshore are treated as individual depletion units; however, the offshore properties are grouped by the federal lease sale in which acquired. Investments in rice growing allotments are being amortized over a five-year period commencing in 1973.

Production payments

The Company has purchased certain producing mineral properties on which production payments are outstanding. Sales revenues applied to the retirement of these production payments are excluded from income.

Investment tax credits

The accounting for investment tax credits is based on the "flow-through" method, in which credits are reflected in earnings of the period during which credits are applied against federal income taxes.

Reclassification

The original 1972 presentations of consolidated earnings and consolidated changes in financial position have been reclassified for comparability.

NOTE B — Earnings per share

Earnings per share are based on the weighted average number of common shares and common share equivalents of convertible preferred shares outstanding during the year. The number of shares upon which per share computations were based amounted to 9,713,001 shares and 9,708,274 shares in 1973 and 1972, respectively.

NOTE C — Preferred Stock

The preferred stock was issued in 1968 and is entitled to cumulative cash dividends at the rate of \$4.12 per share per annum. Each preferred share is convertible at any time into four shares

of General Crude common. Shares of preferred are redeemable at the option of the Company at any time after the seventh anniversary of their issuance at \$80 per share. The redemption price will decrease by 75 cents per share on each succeeding anniversary until the fourteenth anniversary, at which time the redemption price will decrease by 50 cents per share, so that shares will be redeemable at \$75 per share on and after their fourteenth anniversary. Preferred shares have a \$75 per share preference in liquidation, aggregating \$16.8 million on shares outstanding at December 31, 1973. Each preferred share is entitled to one vote upon all matters submitted to a vote of shareowners.

NOTE D — Income and other taxes

Tax expense consisted of the following:

	1973	1972
Federal income taxes:		
Current	\$3,940,000	\$1,824,000
Deferred	(140,000)	401,000
Subtotal	3,800,000	2,225,000
Production taxes	2,011,000	1,780,000
Ad valorem taxes	1,052,000	977,000
Franchise taxes:		
Current	132,000	106,000
Refund — prior years	—	(315,000)
Payroll and other	258,000	218,000
Subtotal	3,453,000	2,766,000
Total	<u>\$7,253,000</u>	<u>\$4,991,000</u>

Federal income tax returns have been examined through December 31, 1970 and all deficiencies have been paid. Differences exist between certain accounting policies and related provisions included in the federal tax statutes. The amounts by which these differences and other factors cause income tax expense to differ from an amount computed by applying the standard U.S. income tax rate of 48 percent to financial earnings before federal income taxes are set forth in the following reconciliation:

	1973	1972
Federal income tax at statutory rate	\$9,990,000	\$7,873,000
Tax effects of:		
Statutory depletion in excess of financial cost depletion	(3,643,000)	(2,913,000)
Intangible drilling costs of productive wells expensed for tax purpose	(2,019,000)	(2,111,000)
Investment tax credits	(360,000)	(370,000)
Other	(168,000)	(254,000)
Federal income tax expense	<u>\$3,800,000</u>	<u>\$2,225,000</u>

NOTE E — Employee retirement plan

The Company has a funded retirement plan covering the majority of its employees. Pension expense was \$550,000 in 1973 and \$521,000 in 1972, including amortization of past service cost over a 30-year period. The value of pension fund assets on December 31, 1973 was substantially equal to the actuarially computed value of vested benefits under the plan as of the last evaluation date.

NOTE F — Stock option plan

On April 18, 1973, the shareowners approved a plan which provides that employees of the Company and its subsidiaries may be granted options to purchase shares of the Company's common stock during the ten year period following the date of the plans adoption. Grants may be made in the form of qualified or non-qualified options. Exercise periods are limited to five years for qualified options and ten years for non-qualified options. A committee appointed by the Board of Directors makes awards under the plan and, subject to the foregoing limitations, sets the periods during which options may be exercised. Options may not be granted to purchase at a price below the market price on the date granted. Non-qualified options to purchase 71,000 shares at \$38.00 each have been granted and are outstanding. Options granted to date will expire on April 17, 1983 if not previously exer-

cised. There are currently 404,000 shares available for grant under the plan.

NOTE G — Long-term debt

Long-term debt due more than one year from December 31, 1973 and 1972 consisted of the following:

Installment notes	\$10,607,000	\$ 45,000
Gas development advances	1,868,000	2,069,000
Total	<u>\$12,475,000</u>	<u>\$2,114,000</u>

Installment notes on December 31, 1973 included the non-current portion (\$10.2 million) of a note which was issued as partial consideration in the acquisition described in Note J. This note is secured only by the assets acquired, bears interest at one-half percent above the prime rate, and is payable in twelve annual installments beginning March 15, 1974. The gas development advances were received under agreements dedicating natural gas reserves from certain offshore properties to sales contracts and are non-interest bearing. The agreements establish minimum and maximum amounts to be repaid annually by gas deliveries or cash payments and require full repayment by 1978.

NOTE H — Investments

Securities investments are reflected in the accompanying financial statements at cost or, in the case of certain investments made prior to December 31, 1971, at cost less reserves established in recognition of declines in market values. Aggregate market values exceeded carried values on December 31, 1973 and December 31, 1972.

Current short-term investments are carried at cost which approximates market.

NOTE I — Interim agreement

On December 12, 1973, the Company executed an interim agreement with a chemical company pursuant to which the parties will undertake to negotiate a definitive agreement for the construction of a jointly-owned refinery. The agreement provides that General Crude will not make long-term commitments for the sale or use of certain of its crude oil, natural gas and water supplies and that these supplies will be available for use in the proposed refinery pursuant to the terms of the definitive agreement. It also pro-

vides that General Crude will reserve a tract of land on Chocolate Bayou in Brazoria County, Texas pending selection of a plant site. In consideration, General Crude will be paid \$1.0 million monthly, commencing January 1, 1974 and ending December 31, 1974, unless a definitive agreement is executed at an earlier date or the interim agreement is canceled. The agreement is contingent upon a favorable ruling from the Federal Energy Office and may be canceled by either party if a favorable ruling is not obtained. The other party may terminate the agreement at any time on sixty days notice.

NOTE J — Acquisition

On March 15, 1973, the Company acquired all of the outstanding capital stock of the South Texas Water Company and certain other assets owned by its stockholders individually or in partnership in a transaction treated as a purchase. Consideration for these properties was \$4.1 million in cash and a note for \$11.2 million, the terms of which are described in Note G. Principal assets acquired were land, mineral rights, water rights and agricultural assets which the South Texas group employed in rice farming and related activities. These activities were conducted by General Crude from the date of acquisition and the results are reflected in the accompanying financial statements. Results reported for the year 1972 would not be materially changed by inclusion of the purchased business as though it had been acquired at the beginning of 1972.

NOTE K — Foreign net assets

Foreign net assets included in the statement of consolidated financial position totaled \$8.1 million on December 31, 1973 and \$7.0 million on December 31, 1972. These amounts include Canadian net assets totaling \$6.5 million and \$6.3 million, respectively.

NOTE L — Contingency

The Federal Power Commission has issued an order which would require the Company to refund a part of the proceeds received from a 1959 installment sale of gas properties. The order has been appealed and its final effects are not presently determinable; however, the Company believes that any refund, if required, would not have a material impact on its financial position.



GENERAL CRUDE OIL COMPANY

Consolidated

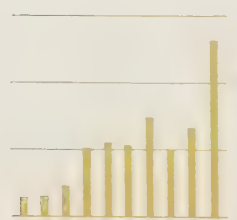
EARNINGS PER SHARE



NET ASSETS



CAPITAL EXPENDITURES



GROSS INCOME

	1973
Liquid hydrocarbon sales — thousands	\$41,445
Natural gas sales	6,912
Agricultural sales	4,608
Interest and other	1,276
Gross income — thousands	\$54,241

EARNINGS

Earnings before extraordinary items — thousands ..	\$17,013
Per share (1)	1.75
Net earnings — thousands	17,013
Per share (1)	1.75
Return on gross income	31%
Return on shareowners' equity	21%

DIVIDENDS AND STOCK DATA

Cash dividends on preferred — thousands	\$ 940
Cash dividends on common — thousands	2,640
Stock dividends	—
Average common shares outstanding (adjusted) —ths.	8,798
Average preferred shares outstanding — thousands (2)	229
Number of shareowners — common	1,749
Market value per common share at year end (adjusted)	\$ 40.88

ASSETS

Working capital — thousands	\$ 9,128
Net property, equipment and other	72,954
Total net assets — thousands	\$82,082
Working capital as a percent of total net assets	11%
Ratio of current assets to current liabilities	1.7

CAPITAL EXPENDITURES

Land acquisitions — thousands	\$13,303
Undeveloped leases and mineral rights	6,283
Intangible development and dry hole costs	12,493
Lease and well equipment	4,726
Producing property acquisitions	—
Agricultural and other assets	3,198
Total — thousands	\$40,003
Total per dollar of gross income74

EXPLORATION AND DEVELOPMENT EXPENDITURES

Exploration expenditures — thousands	\$17,719
Development expenditures	10,201
Total — thousands	\$27,920
Total per dollar of gross income51

(1) See Note B of the financial statements.

(2) Preferred shares issued in 1968 merger.

Financial Statistics

1972	1971	1970	1969	1968	1967	1966	1965	1964
\$36,198	\$30,783	\$27,894	\$22,612	\$19,748	\$16,698	\$12,891	\$10,640	\$10,181
5,030	4,793	4,702	4,825	4,950	3,246	3,484	4,034	2,781
824	1,079	635	497	—	—	—	—	—
866	885	1,075	1,664	1,265	1,548	1,273	1,254	1,389
\$42,918	\$37,540	\$34,306	\$29,598	\$25,963	\$21,492	\$17,648	\$15,928	\$14,351
\$14,177	\$11,725	\$ 8,040	\$ 7,408	\$ 6,562	\$ 5,255	\$ 4,452	\$ 4,553	\$ 3,924
1.46	1.23	.80	.72	.63	.47	.38	.39	.31
14,177	9,725	8,040	7,408	6,919	8,981	4,452	4,553	5,386
1.46	1.00	.80	.72	.67	.90	.38	.39	.48
33%	26%	23%	25%	27%	42%	25%	29%	38%
21%	17%	16%	15%	15%	22%	13%	14%	16%
\$ 983	\$ 1,076	\$ 1,170	\$ 1,170	\$ —	\$ —	\$ —	\$ —	\$ —
2,626	2,598	2,578	2,491	2,947	2,889	3,120	3,066	3,595
—	—	—	—	—	—	10%	—	—
8,752	8,659	8,593	8,662	8,660	8,656	8,652	8,680	8,880
239	261	284	284	—	—	—	—	—
1,604	1,479	1,527	1,519	1,482	1,491	1,479	1,505	1,546
\$ 36.25	\$ 24.62	\$ 17.31	\$ 18.00	\$ 19.75	\$ 15.25	\$ 7.63	\$ 8.64	\$ 8.07
\$11,715	\$ 9,876	\$ 6,670	\$10,608	\$10,889	\$15,668	\$14,823	\$16,254	\$16,528
56,859	47,971	45,023	37,985	33,750	25,229	19,948	17,329	17,283
\$68,574	\$57,847	\$51,693	\$48,593	\$44,639	\$40,897	\$34,771	\$33,583	\$33,811
17%	17%	13%	22%	24%	38%	43%	48%	49%
2.7	2.7	1.6	3.6	3.1	4.9	9.0	10.5	13.1
\$ —	\$ 15	\$ 148	\$ 66	\$ —	\$ 37	\$ 6	\$ —	\$ 77
3,485	4,559	8,998	2,659	3,092	6,490	1,498	1,602	1,708
9,742	6,433	8,046	8,211	7,157	4,934	4,206	2,647	2,345
5,413	3,485	4,560	3,285	4,120	2,021	1,368	589	517
—	921	298	530	1,768	2,763	—	—	—
1,747	325	547	1,592	863	145	352	85	33
\$20,387	\$15,738	\$22,597	\$16,343	\$17,000	\$16,390	\$ 7,430	\$ 4,923	\$ 4,680
.48	.42	.66	.55	.65	.76	.42	.31	.33
\$13,883	\$11,753	\$15,684	\$ 9,372	\$ 8,446	\$10,445	\$ 5,515	\$ 5,093	\$ 4,595
9,040	6,446	9,095	7,476	8,148	5,057	3,522	1,667	1,914
\$22,923	\$18,199	\$24,779	\$16,848	\$16,594	\$15,502	\$ 9,037	\$ 6,760	\$ 6,509
.53	.48	.72	.57	.64	.72	.51	.42	.45



LIQUID HYDROCARBONS

PRODUCTION IN MILLIONS OF BARRELS



NATURAL GAS



NET WELLS COMPLETED

LIQUID
HYDROCARBON
PRODUCTION

Volume — thousand barrels	1973
Company operated leases — gross	21,144
Other owners' share — gross	(13,632)
Company operated leases — net	7,512
Outside operated leases — net	3,032
Total net production	10,544
Net production per day	28.9
Average value per barrel	\$3.93
Market demand factor — Texas	100.0%

NATURAL
GAS
PRODUCTION

Volume — MMCF	
Company operated leases — gross	24,937
Other owners' share — gross	(13,754)
Company operated leases — net	11,183
Outside operated leases — net	15,863
Total net production	27,046
Net production per day	74.1
Average value per Mcf	22.4¢

WELLS
COMPLETED

Gross exploratory wells completed	32
Gross development wells completed	83
Total gross wells completed	115
Net exploratory wells completed	24
Net development wells completed	25
Total net wells completed	49
Exploratory wells as percent of total	49%
Percent of exploratory wells productive ...	16%

OTHER
DATA

Net oil wells completed	17
Net gas wells completed	8
Net dry holes completed	24
Average number rigs operating — net	4.2
Net exploratory footage — thousands	243
Net development footage — thousands	125
Total net footage drilled — thousands	368
Net wells owned	1,135
Exploration holdings — thousand net acres	5,765
Number of employees	367

Operating Statistics

1972	1971	1970	1969	1968	1967	1966	1965	1964
21,965	16,223	15,426	11,995	10,778	9,478	7,562	6,328	5,969
(14,514)	(10,375)	(9,242)	(6,699)	(5,869)	(5,262)	(4,241)	(3,649)	(3,410)
7,451	5,848	6,184	5,296	4,909	4,216	3,321	2,679	2,559
3,136	3,143	2,420	1,815	1,439	1,152	849	790	771
10,587	8,991	8,604	7,111	6,348	5,368	4,170	3,469	3,330
28.9	24.6	23.6	19.5	17.3	14.7	11.4	9.5	9.1
\$3.42	\$3.43	\$3.24	\$3.18	\$3.11	\$3.11	\$3.09	\$3.07	\$3.06
94.1%	72.5%	71.6%	52.4%	44.9%	40.7%	33.8%	28.8%	28.2%
29,298	28,626	35,298	34,645	35,980	20,822	24,081	24,657	10,183
(16,806)	(15,055)	(18,268)	(15,511)	(15,074)	(8,326)	(10,460)	(11,231)	(2,592)
12,492	13,571	17,030	19,134	20,906	12,496	13,621	13,426	7,591
13,929	13,010	10,612	9,911	8,984	7,523	7,450	9,491	9,300
26,421	26,581	27,642	29,045	29,890	20,019	21,071	22,917	16,891
72.2	72.8	75.7	79.6	81.7	54.8	57.7	62.8	46.2
18.5¢	17.2¢	16.3¢	15.5¢	15.3¢	14.7¢	14.4¢	14.3¢	14.2¢
28	42	26	36	30	45	62	45	37
107	83	140	142	163	119	59	24	13
135	125	166	178	193	164	121	69	50
11	19	13	13	12	17	28	21	11
42	31	72	98	129	100	50	10	5
53	50	85	111	141	117	78	31	16
21%	38%	15%	12%	9%	15%	36%	68%	69%
45%	11%	17%	19%	28%	23%	17%	13%	27%
32	23	54	84	104	83	42	4	1
8	1	3	3	9	10	2	4	6
13	26	28	24	28	24	34	23	9
3.4	2.6	4.4	4.1	4.2	3.3	3.4	2.4	1.7
130	141	134	128	128	108	167	156	83
174	158	326	329	452	366	231	74	63
304	299	460	457	580	474	398	230	146
1,095	1,073	1,060	920	788	686	498	466	460
6,145	6,018	3,562	3,310	3,141	2,429	2,678	1,145	1,186
307	311	247	234	199	194	189	184	183



Directors

J. E. ATTWELL
Partner
Vinson, Elkins, Searls, Connally & Smith
Houston

W. P. BARNARD
Vice President and Treasurer
General Crude Oil Company
Houston

A. R. BELL, JR.
President
The Glenmede Trust Company
Philadelphia

J. W. CUTBIRTH
Executive Vice President
General Crude Oil Company
Houston

T. W. GREGORY, JR.
Investments
Houston

F. A. HUNTER
Vice President
General Crude Oil Company
Houston

K. E. MONTAGUE
President
General Crude Oil Company
Houston

J. N. PEW, III
Vice President
The Glenmede Trust Company
Philadelphia

W. M. STREETMAN
Partner
Andrews, Kurth, Campbell & Jones
Houston

J. C. WESSENDORFF
Ranching and Investments
Richmond, Texas

C. E. WOODRUFF
Vice Chairman of the Board
Manufacturers Hanover Trust Company
New York City

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J. W. CUTBIRTH
Executive Vice President

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Vice President, Production

G. E. GOTSCHALL
Vice President, Land Management

E. B. McCONNELL, JR.
Vice President, Exploration

W. P. BARNARD
Vice President and Treasurer

O. M. HAGLER
Secretary

F. A. EUDY
Assistant Secretary

H. R. FOX, JR.
Assistant Treasurer

Principal Offices

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Snyder, Texas 79549 — Drawer P

Newport Beach, California 92663 — Box 1487

Exploration

Calgary, Alberta, Canada T2P OM2 — 640 Aquitaine Tower

Denver, Colorado 80202 — 1650 Colorado State Bank Building

London, England — 77 South Audley

Agricultural

Alvin, Texas 77511 — Box 1305

Subsidiaries

General Crude Oil Company, Alberta, Ltd.

Chocolate Bayou Land and Water Company

General Crude Oil Company, International, Ltd.

General Crude Oil & Minerals Company, S. A.

General Crude Oil Company, Northern, Ltd.

General Oil Company of California

General Crude Oil (U.K.) Incorporated

NASDAQ Symbol

GCRD

Transfer Agents

Bank of the Southwest
Houston

Montreal Trust Company
Calgary

Attorneys

Andrews, Kurth, Campbell & Jones
Houston

Auditors

Ernst & Ernst
Houston

ANNUAL MEETING The annual meeting of shareowners will be held at the Hyatt Regency Hotel, Houston, Texas on April 17, 1974. Notice of the meeting, together with a proxy statement and a form of proxy, will be mailed to each shareowner about March 22, 1974.

